A Problem of Knowledge for Hayek

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INTRODUCTION

Peter Boettke’s *F. A. Hayek: Economics, Political Economy and Social Philosophy* is an interesting book, although the fact that it is written as a number of independent essays was, for me, a source of frustration. For it meant that we tended to get repeated introductions to important but basic Hayekian themes, rather than a more detailed exploration of difficult or more controversial subjects. Boettke also seemed to me, at times, to come over as a bit of a cheerleader for Hayek. I’d agree that there is much to cheer about. But there is a risk that, at times, his style was more like that of someone on a debating team, rather than that of a scholar pursuing a research programme to which he was attracted, but who also admitted clearly just what the problems were that his approach faced.

As someone who has worked on Hayek for many years, I found many things in Boettke’s discussion interesting and stimulating. At the same time, there was also much that I disagreed with, including the tight links that he suggested between Hayek and Mises, his discussion of methodology, his treatment of *The Road to Serfdom* and of what might be called Hayek’s interventionism. However, I thought that it might be most useful, on the present occasion, to put these issues to one side, so that I could concentrate upon one central theme.

Boettke’s stress on the significance of institutions for Hayek’s analysis seemed to me particularly good, notably his discussion of this in the context of Hayek’s work on economic calculation. But it also seemed to me—other than his noting, in his final chapter, the tension in Hayek between his stress on ‘evolutionary’ emergence and the role of critical reflection in the improvement of, and indeed in some cases the construction of, institutions—that he did not fully bite an important bullet in his discussion of this aspect of Hayek’s work. It is this. Boettke stresses, repeatedly, the importance of suitable institutions and the rule of law. But this faces us with the problem of which institutions, what understanding of the rule of law, and improvement on the basis of what knowledge. Indeed, a critic might say that Hayek’s work is haunted by the ghost of a Platonic philosopher-king. For Hayek, right through his work, and alongside his key themes about the social distribution of knowledge, and the importance of various forms of spontaneous order, himself makes crucial use of claims to theoretical knowledge, and also implicitly assumes its privileged social instantiation. But it is not clear that the social institutions that Hayek favours really offer room for this to take place. Further, Boettke, in various critical comments about ‘elites’, seems to me to add to the problems that Hayek faces here. Let me briefly refer—in line with my ‘haunting’ theme—to four manifestations of such appeals to knowledge in Hayek’s work.

First, consider Hayek’s inaugural lecture at the L.S.E., “The Trend of Economic Thinking,” where he developed a criticism of the ideas of the ‘younger’ historical school of economics (ideas which were shared by some people at the L.S.E. at the time), on the grounds that they served to undermine the important contributions that work in theoretical economics made to the refutation of various utopian ideas. He refers, for example, to Mises’ work on the problems of economic calculation under socialism. For Hayek, a key contribution of theoretical economics is that it can serve to inform us that various ideas that we might have about what social arrangements would be attractive, are, in fact, not realizable. Hayek’s point is, it seems to me, a strong one; it is also not just purely theoretical, but also empirical and historical work which can play such a role. Hayek’s concern—to combat the view that there could not be any knowledge of this kind—seems to me important. It is also a battle that seems to have to be re-fought in each generation: those attracted to postmodernism and poststructuralism seem to me in danger of leading us into similar ground to that occupied by those influenced by the younger historical school in Hayek’s day. At the same time, criticism of the critics of such claims to knowledge, like that in Hayek’s Inaugural Address, is not enough. For as we shall see, there are problems about the status of such knowledge (not least in the face of such important points as falli-
bilibilism, and the—legitimate—existence of different competing theoretical research programmes), but also about what I will refer to as the need for its social entrenchment, if it is to play the kind of role that Hayek envisaged for it in the discouraging of utopian fantasies.

Second, there is the fact that Hayek himself—through most of his work—while (justly) critical of ‘rationalistic’ wishes to reconstruct all institutions from the ground up, and appreciative of the way in which various institutions which have evolved may be of value, also favoured the idea that inherited institutions could and should be improved. What he said about this ranges from ideas about planning for freedom in *The Road to Serfdom*, through to his ideas about how the kind of common-law-based system that he came to champion in *Law, Legislation and Liberty* might be improved. It is worth bearing in mind that, in this connection, Hayek argues both in favour of a particular kind of discovery procedure amongst common-law judges, and favours the reform of law by a legislature if a system of common-law precedents leads in problematic directions. He also makes occasional remarks which would suggest that the legal system may stand in need of piecemeal reform in the light of our analysis of the economic consequences of existing law. All this, again, appeals to expert knowledge—but also, implicitly, to its institutionalization, in the sense of the relevant knowledge being in the hands of those who will undertake this revision.

At the same time, one must ask: institutionalization in what form? For, clearly, there is no reason to suppose that a body of elected lay people like that which Hayek discusses as constituting his preferred second chamber in *Law, Legislation and Liberty*, would be informed by such ideas. It is often our intuitive and deep-seated ideas which, on Hayek’s account, may stand in need of correction. It needs also to be stressed, that both because of the fallibility of any such ideas, and the risk of the abuse of their power by people who are given authority to act on such ideas, that there are complex and difficult problems posed by all this.

Third, there is Hayek’s appreciation of the operation of a market-based social order, and of other well-functioning inherited social orders, as such. Given such an appreciation, it makes sense for us to make use of such institutions, acting within inherited systems of rules and so on, and not revolting against them even when such orders throw up consequences which seem to us to be problematic or unfair. But such a perspective itself rests, in the background, on a (developing) theoretical understanding of the character of these systems. To be sure, societies may simply be influenced by conservatism. But a conservatism without theoretical understanding means that people will be attached to rules and institutions whatever these might be, and whatever their overall consequences are. A Hayekian liberalism, by contrast with this, is one which is informed by a critical understanding of how certain such inherited social orders work, and of course about how they might be reformed.9

Finally, there is the way in which Hayek appeals to the way in which we might set out to design new institutions, based on our theoretical ideas about how inherited, and well-functioning, ‘spontaneous orders’ work. His late proposals for the *Denationalization of Money* are an interesting example of this, but they are by no means the only one.

**THE HARVEY ROAD PROBLEM**

In his chapter ‘The Anatomy of an Economic Crisis’, Boettke discusses the problems of economic policy-making, and refers to the way in which—to quote Roy Harrod—‘Keynes tended till the end to think of the really important decisions [as] being reached by a small group of intelligent people’. Harrod refers to this in terms of ‘the presuppositions of Harvey Road’, the street in Cambridge in which the Keynes family lived. Harrod goes on to point to a dilemma of: ‘how to reconcile the functioning of a planning and interfering democracy with the requirement that in the last resort the best considered judgment should prevail’.10 Boettke here makes an important point in the context of decision-taking in the real world. He goes on, in an ‘Epilogue: What Would Hayek Do’, to note that Hayek’s own earlier views, which called for active policy-making by a central bank, were open to the same objection. However, Boettke (2018, p. 71) notes that, in Hayek’s (1978) later work, for example *The Denationalization of Money*, second edition, he became critical of central banks, and that he more generally moved to a view in which ‘money can and should be provided through market mechanisms rather than by politically influenced and imperfectly informed monetary authorities’.

While this is all true enough concerning this aspect of Hayek’s views (and it is also worth noting that this argument on Hayek’s part was itself based on claims to knowledge about how an alternative system to a central bank might operate!), it seems to me that it does not serve to dispel the underlying problem with which I am here concerned. It is that classical liberalism of the kind that Hayek, Boettke and I favour, rests in important ways on theoretical knowledge—and, in some way or another, on its social ac-
In this, Griffiths surveys the ideas A conversation be Griffiths’ (2014) book which has been singled out for discussion by David Runci would necessarily become classical liberals. Here, Simon Hayek’s work. It is possible, after all, to read one of Hayek’s key concerns in The Road to Serfdom (and in much of his subsequent work) as being with the problem of how people could pursue values like those to which he was attracted as a young man, but in ways that don’t pose problems for a liberal economy or for people’s freedom.

All this seems to me to lead on to two concerns. The first relates to the organization of the academic world, the second to what one might call the significance of the social entrenchment of our best—but of course fallible—ideas.

Consider, in this latter context, the following brief exchange reported on in Bob Woodward’s Fear, which discussed the early period of the Trump White House, and which has been singled out for discussion by David Runciman in his recent Where Power Stops. A conversation between Trump and Gary Cohn, his chief economic advisor, is reported to have run as follows:

“We're upside down’ on trade deals,” Trump said. “We're underwater on every one of these. The other countries are making money. Just look at all this stuff up there. We're paying for it all.” Cohn tried to remind him that it was actually good for the US economy. “I don't want to hear that,” Trump replied. “It's all bullshit.” Trump wanted to bring the money home, especially from South Korea (Runciman 2019, p. 198).

Later, Woodward reports the following exchange:

Several times Cohn asked the president: “Why do you have these views?” “I just do,” Trump replied. “I’ve had these views for 30 years” (Ibid., p. 201).

My concern, here, is not with who is right about these matters of economic policy. The problem, it seems to me, which faces the classical liberal as much as it did Keynes, is that it matters for each of us that policy should be guided by the best ideas. A key role is played, in a Hayekian liberalism, by ideas, including ideas about what makes for good institutions. These are, obviously, fallible, and need to be open to contestation. But what matters, in this context, is that the contestation of the ideas should be on the basis of their merits, rather than just on the basis of our gut feelings.

Further, as in the case illustrated by the exchange with Trump, what is also needed is an acceptance of the social division of labour. Each of us is limited in what we can know about, in any detail. This means that we must, of necessity, depend on the (fallible) views of experts. If we are suspicious about something, we may ask if there are people with relevant expertise who have differing views, and if we are in the right kind of position to do so—such as a President could have been—we might ask them to explain to us their views, what is at issue between them and the more dominant views, and why they think that their ideas are to be preferred, and so on.

What seems to me to make no sense, not least if—as Hayek does—you think that ideas matter, and that some ideas that have a lot of intuitive appeal are, in fact, highly problematic for reasons that can be illuminated by theoretical reasoning (e.g. that of Mises!), is simply to appeal to our (inherited) gut feelings, or to ideas that might be endorsed through opinion polls.

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WHAT IS TO BE DONE?

The situation seems to me complex, not least in the light of what Hayek has written about the social dispersion of knowledge, and about the importance of inherited institutions, but not one which is dealt with adequately by the endorsement of anti-elitism. There seem to me, rather, two different levels of problems to be addressed, the answers to both of which might be argued to be elitist. They are, obviously, complex, and I cannot here deal with them in any detail. But a few words might be useful.

The first relates to the organization of the academic world. Here, we are faced with a complex product of human action but not of systematic human design. Academics work on the basis of a whole range of programmatic ideas—from those inspired by particular ideological affiliations, through to those which they pick up from the various paradigms into which they are trained. It is also the case, however, that there is a complex social epistemology, constituted by the various incentives and pressures to which scholars are subject. These range from the editorial policies of various journals, the ways in which journals (and publishers) are ranked within different disciplines, the criteria for hiring, promotion and tenure at different universities, the basis on which grant funding is available, and so on. There is also the issue of the preferences of students (and their parents) as consumers, and the preferences of those who give money for educational purposes.

This, it seems to me, is an interesting example of an unplanned order, but one which in my view stands in need of piecemeal reform. For it is striking that, if we are interested in the development of a body of tentative knowledge which aims at contentful truth, how we are currently proceeding is problematic. It is here that a proper account of my argument would go off into quite a bit of detail concerning the philosophy and also the history and sociology of science—which I must spare the reader on the present occasion. But it seems to me that we need to encourage on the part of academics not just particular, specialized work, but also reflection on broader themes and the current state of the discussion about them. In addition, it is typically the problem that ‘mainstream’ work seems to ignore issues of significance which are championed by those who take less-mainstream positions. Consider, here, the way in which, from a classical liberal perspective, those in ‘mainstream’ positions ignore or misinterpret, say, Hayek’s work on knowledge and institutions (Boettke’s discussion here is very useful). But, similarly, Marxists would typically say that important points concerning what their tradition has had to say about, say, ‘relations of production’ and their consequences, have typically been ignored by other scholars. (Consider the way in which many of those who take rational choice approaches in the social sciences, treat the social world as if it was an unstructured state of nature, rather than something crucially shaped by our prior history and interactions.) Contending programmatic ideas have a fully legitimate role to play in the academic world. But it is also vital that their proponents distinguish between their views as programmatic ideas, and what, in fact, they have been able to achieve to date by way of explanations, as compared to the achievements of those who favour competing views.

We need, within any discipline, to move towards a form of the social organization of knowledge in which, as distinct from the different (and I would stress again, fully legitimate) programmatic ideas by which people may be influenced, to having a deliberate effort made to create a picture of the range of ideas concerning which there is a broad consensus that they are significant, and of the ongoing state of the debate about them. This would serve as a focus for the work of scholars within the discipline, not least as giving an indication to those who wish to develop competing ideas what the existing problem-situation in their discipline is with which they have to engage. It would also give an indication to people in other disciplines what the (current) picture is, of what they need to take account if they wish to draw on ideas from the discipline in question.

BEYOND SPECIFIC DISCIPLINES

It is not of importance just for specific disciplines that such ideas be developed, and, if these ideas should prove acceptable, existing institutions be reformed. For it is to such ideas—e.g. in economics—that a body such as the Supreme Court (whether in its existing form, or in the kind of version that, it would seem to me, would be needed if Hayek’s ideas about the revision of the law were to be put into practice) would need to have recourse, if it were wishing to engage in piecemeal reform of the law on the basis of economic ideas.

Such things are also important, more generally. Consider our ideas about people’s rights. In the broadest of terms, one lesson that we can draw from recent scholarship about the understanding of rights in the Seventeenth and the Eighteenth Centuries, is that the main tradition of Protestant ideas about ‘natural jurisprudence’ developed ideas...
about rights in the context of ideas about duties to God, in part drawn from Scripture, in part from what at the time seemed obvious. Rights were things which people were—stressed the importance of the liber—but most of us would typically now(Of course, what is needed is someone who is both—which has opened our political system up to popu)—in his another striking example of this. The problem—which if what I have it. His concern in this was not with reli. In this, Hayek ar. A second and rather different problem, is exemplified by the report upon Trump’s White House to which I referred, earlier. For one needs, in addition to a deliberate effort in any particular discipline or problem-area to collect together what, tentatively, we can agree upon (not least so that it can, then, be submitted to criticism), but also that we recognise the appropriate social authority of experts, in the context of the division of labour. This, obviously, does not mean that experts must be assumed to be correct. But if we are not a specialist in a particular field, we need to be able to recog—those who are, and then—if we stand in need of information—to ask them to explain not just their own views, but the current state of the debate in the field in which we are interested, something which we can cross-check with others. The problem with Trump, in the area referred to in the quotations, seemed to me to be that having appointed someone who was competent, he did not then seem—taking to take criticism from him of his own intuitive ideas, or to accept instruction from him about the question. (Of course, what is needed is someone who is both knowledgeable but also well-informed about, and able to offer a fair picture of, the state of play in the field in question: something that it is important that we cultivate.) This problem seems to me to be becoming increasingly ubiquitous with the development of social media, which by design serves simply to reinforce people’s prejudices, and also when people put their expertise up for sale in settings where it is removed from scrutiny by their professional peers.

Here I think that it would be useful to look again at the ideas of that much-neglected classical liberal thinker, Harry Burrows Acton (1974). I have in mind here some of the views that he set out in his published lecture, The Idea of a Spiritual Power. His concern in this was not with religious ideas but, rather, with the institutionalization of our best ideas, a theme that he traces through Saint-Simon, Coleridge and John Stuart Mill. (Mill—the author of the fallibilist On Liberty—stressed the importance of the liberty of discussion; but—he was also concerned with our problem: it lies behind his not particularly felicitous ideas about plural voting for those with university degrees in his Representative Government.) The problem—which if what I have argued here is correct, is very much that of the Hayekian, and which more generally faces us particularly strongly today—is that the connection between the worth of ideas and their social influence seems to have broken down dramatically. It is this—along with what seems to me a marked failure on the part of those most concerned with policy-making to address some of the key issues which face people today—which has opened our political system up to populism. And it is this which makes me uneasy about Boettke’s
joining in the criticism of elites, rather than engaging in a project for their reform. One of our key problems, I’d have thought, is in fact to try to reconstruct the role of elites in our society, in such a way that our best—but, obviously, fallible—knowledge can exercise significant influence both within academic disciplines but also more generally in society, and by means of mechanisms which don’t sacrifice our liberty, or simply open us to domination by other people.

All this may seem strange. But on the basis that I have indicated briefly in this short paper, it seems to me a direction in which we have to go, if we are to do justice to the full range of issues opened up by Hayek’s work. If I am right, to address this issue is surely a challenging—but also, in consequence, an exciting—task.

NOTES

1 Recall in this context just how contentious Hayek’s understanding of the rule of law has been argued to be, e.g. by the legal scholar Joseph Raz (1972). Hayek, it should be said, has been explicit about his championing of the rule of law as it was understood in the Kantian Rechtsstaat tradition, and I would agree that this is of particular importance both for economic purposes, and in terms of the liberty of the individual. But the distance between this and what other scholars with expertise in the field understand by the rule of law, serves to emphasise the point that I am making in my text.


3 See, on this, Shearmur (2018).

4 I have discussed this at some length in Shearmur (1996).

5 Compare the important issues opened up in Hayek (1954).

6 I say ‘most’ because some strands in his work—e.g. the ‘Epilogue’ to Law, Legislation and Liberty volume 3 (Hayek 1979), and The Fatal Conceit (Hayek 1988)—develop his ideas in ways which may be difficult to square with the more ‘critical rationalist’ strand in his work, to which I am here referring.

7 It is important to note that Hayek uses the term ‘evolution’ in the loosest of ways; recent efforts to criticize him by showing that his views don’t fit specific models of evolution to which he sometimes refers (and which, as in the case of ‘group selection’ are clearly problematic), don’t seem to me to make much impression on his underlying argument. At the same time, the weakness of what he is claiming (as is also the case for Hume on the development of ideas about justice), needs also to be noted.

8 It is worth bearing in mind Plato’s concerns about the possible corruption of his guardians, and the highly distinctive institutions which he suggested as possible ways of dealing with this.

9 There is obviously an issue about the inter-relation, in Hayek, between an acknowledgement of the importance of such theoretical knowledge, and his concerns about the desirability of what one might call an uncritical faith in inherited institutions. But this is an issue which can’t sensibly be tackled in a paper such as this.


11 I have in mind, here, not just the efforts of FEE, IHS and many other bodies, but also the work of GE, which has been documented in such an interesting way in Evans (2006).

12 It is, here, striking how ineffectual conservative, libertarian and conservative religious groups and individuals—who have been significant sources of funding for higher education—have been in the creation of institutions which reflect their concerns. The story of how foundations set up by wealthy individuals with strong classical liberal concerns have been diverted to other purposes is a particularly sad one. While Marsden (1994) tells a striking story of the loss of influence of traditional Christian ideas within what were initially often explicitly religious-based foundations.

13 Clearly, there is also, here, the issue of what views should inform such reform and their social institutionalization—but I will not pursue this here!

14 There is also a body of work to which Boettke refers, notably Roger Koppl’s Expert Failure (2018), which discusses other work to which Boettke refers in greater detail than it was possible for Boettke to do in his Hayek. See also Desch (2019). I cannot even attempt to do justice to the range of issues raised in this work, on the present occasion.

15 See, for this approach, Shearmur (1996), especially chapter one, and Shearmur (2010).

16 I have argued for this in what is as yet unpublished work.

17 Compare, for example, Knud Haakonssen (1996) and T. J. Hochstrasser (2000).

18 Included, for example, in Schneewind’s Essays on the History of Moral Philosophy (2010).

19 Compare, in this context, the U.S. Declaration of Independence.


21 See John Locke, Two Treatises of Government, First Treatise §42; compare Peter Laslett’s edition, p. 170.
It is perhaps worth noting that, in the light of this, the problem addressed by Milgram (1974) in his *Obedience to Authority*, seems to me in some ways misconceived. For in a society of any sophistication, we have to depend on the authority of those with specialized knowledge, and in ordinary social situations this means relying on those bearing the appropriate marks of authority. If, say, a building is burning, we need to rely on what we are told by those who are dressed in firefighters uniforms, and so on. This does not mean that they are infallible, that there might not be occasions on which it would be right for a lay person to question them or to disobey them, or, indeed, that there should not be heavy punishments for those who pretend to authority that they do not, in fact, possess. There is also a crucial need for institutions which allow for the possibility—outside of a particular emergency situation—of the critical questioning of existing policies and “knowledge.”

It seemed to me that it was this latter problem which was the starting-point of Roger Koppl’s (2018) interesting work in his *Expert Failure*, while just how problematic the structuring of information by Facebook etc is, is brought out if one compares what is said in passing about the structuring of information by Facebook in Roger McNamee’s (2019) *Zucked*, with Popper’s (1963) account of some basic epistemological issues in his “On the Sources of Knowledge and of Ignorance” and “Science: Conjectures and Refutations.”

I will not burden what is already an over-compressed paper by discussing the substance of this here. But it is striking that Robert Putnam (2015) and Charles Murray (2012) offer similar diagnoses of some of our current problems, while Mark Lilla (2018) and John Sides et al. (2018) indicate what is problematic about how these issues have been recently approached. A similar story, it seems to me, can be told about problems of climate change and large-scale migration.

**REFERENCES**


